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Backers, doubters examine Culver's 'new deal'

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Gov. Chet Culver's plan to more than double Iowa's debt to help pay for billions of dollars in infrastructure projects is prompting historians and economists to re-examine how similar stimulus programs worked or failed during the Great Depression.

Some people see Culver's plan as a must-have for Iowa. Advocates say it would rejuvenate the economy largely by hiring thousands of workers and result in billions of dollars in critical infrastructure needs being addressed across the state.

But others have reservations and call the plan a short-term fix. Critics doubt its impact upon unemployment or the economy and point out that taxpayers would be saddled with millions of dollars in annual debt and interest payments for decades.

There are merits to both arguments, and how one views the historical evidence depends largely upon the individual's political point of view, said Margaret Rung, a history professor and director of the Center for New Deal Studies at Roosevelt University, Chicago.

"You could read the numbers and the effects of these programs and just simply conclude the Depression didn't immediately end and therefore they were useless," Rung said. "Or, you could look at the programs in a more holistic light and talk about what kinds of benefits they gave people aside from just raw economic stimulus."

The state would take on \$700 million in debt under Culver's plan, which would leverage billions of dollars in projects over the next two or three years.

Between 4,000 and 5,000 "shovel-ready" projects ranging from road construction and bridge projects to water treatment and sewer facilities already have been submitted to the state from counties, cities and schools.

In addition to critical infrastructure, Culver has said the money could potentially be used to upgrade recreation or entertainment attractions such as Hancher Auditorium at the University of Iowa, which was damaged by last year's floods. A state group overseen by the Iowa Finance Authority would evaluate each proposal before state money would be awarded, under Culver's plan.

In the 1930s, the federal government's New Deal programs, specifically through the Work Projects Administration (which until 1939 was called the Works Progress Administration), built dozens of critical projects in Iowa. A few in the Des Moines area include the Scott Avenue bridge and dam, as well as flood prevention projects that have helped protect some neighborhoods near McHenry and MacRae parks.

In addition to critical infrastructure projects, some of the New Deal programs included work that was seen to improve the quality of life, such as murals in schools and libraries, noted Ralph Christian,

historian for the Historic Preservation Office of the State Historical Society of Iowa. Many believe the combination of projects helped stabilize the economy while working to improve public confidence, Christian said.

Big projects may need more time, leaders say

What, specifically, will the state do with the stimulus money?

Iowa officials have collected proposals from local governments that may qualify to be part of the state's stimulus plan. The projects are being processed into a database and will be available to the public within a month, said Thom Hart, a state infrastructure manager.

Typically, the projects would have to start within six months after the money is allocated and finish within two years.

But one municipal leader worries that important projects won't be eligible under Culver's current proposal because jobs such as those completed in the 1930s are a lot more complicated today and aren't "shovel-ready."

One such project would be more than \$250 million to improve Des Moines' 100-year-old sewer system, according to Bill Stowe, city public works director.

Stowe notes that most projects during the Great Depression didn't require massive environmental studies that can delay projects for years. In addition, communities rarely invest the 10 percent to 15 percent of a project's costs in planning work until and unless they already have obtained financing, Stowe said.

The required studies and planning could mean that a project isn't shovel-ready for years and, therefore, wouldn't be funded.

"We're both encouraged and discouraged," Stowe said of Culver's plan. "What's discouraging is the amount of process still necessary to get through design. Reality is, there isn't much that's shovel-ready that can go within a few months. Those projects just really don't exist."

Debate over how many jobs would be created

At least a dozen other states are considering their own economic stimulus plans beyond the \$787 billion federal package signed last week by President Barack Obama, according to the National Conference of State Legislatures.

Iowa is expected to receive about \$1.9 billion in federal stimulus, including \$350 million for roads and bridges. That money could be coupled with Iowa's money on key projects, the governor's staff has said.

Like Iowa, other states' plans include taking on hundreds of millions of dollars in debt to pay for infrastructure and augment the federal money. In Ohio, for example, lawmakers have approved a \$1.57 billion package, largely focusing on public works projects.

Some argue that Iowa's extra efforts are unnecessary. The state had a 4.6 percent unemployment rate in December, the latest figures released; the U.S. unemployment rate was 7.2 percent in December.

"If we're panicking at less than 5 percent unemployment, God help us when we actually have a

problem," said Peter Orazem, an economics professor at Iowa State University. He wants the state to preserve its bonding options for possible future needs.

There's also debate over how many jobs the state stimulus plan would create.

Culver has estimated that roughly 4,000 jobs would be created or supported for every \$100 million borrowed, or 28,000 jobs. His calculations are based largely upon a report last year by the American Association of State Highway and Transportation Officials.

However, David Swenson, an ISU economist, said the number of jobs created would be 1,490 for each \$100 million spent. Swenson's calculations are based on a program purchased by the university that looks at updated economic data collected by the government. His figure includes both direct and indirect jobs.

The New Deal programs used by President Franklin Roosevelt in the 1930s weren't overnight successes, Orazem noted. Unemployment did drop after 1933 but slowly, and did not dip below 5 percent until 1942, after World War II began.

However, unemployment statistics during the 1930s did not include people hired in the relief programs, which inflated unemployment figures, according to Rung, of the Center for New Deal Studies.

Rung maintains that the Great Depression programs helped to restore confidence and build badly needed infrastructure that has benefited several generations.

As for Culver's proposal, she said: "It may not end this current recession but it would certainly soften the blow for many families, and I think that's certainly a worthwhile goal."

Christian, of the Historical Society, sees the opportunity to couple federal and state stimulus efforts. "There's great potential there. The whole thing with the New Deal is that it got people to work quickly. A lot of people were individually touched by those programs."

Additional Facts

Hardest hit by unemployment

Iowa's unemployment rate increased to 4.6 percent in December. In total, 77,100 Iowans were unemployed.

By comparison, the state's unemployment rate peaked at 8.5 percent in late 1982 and early 1983. During that recession, Iowa's unemployment rate was above 5 percent from January 1980 to February 1988.

Here are some of the areas of greatest job losses in 2008:

PROFESSIONAL AND BUSINESS SERVICES: 9,300

MANUFACTURING: 7,000

CONSTRUCTION: 3,800

Source: Iowa Workforce Development
